

Message Text

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ACTION EUR-12

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AMEMBASSY LISBON

C O N F I D E N T I A L EC BRUSSELS 08386

E.O. 11652: GDS

TAGS: EAID, US, PO

SUBJECT: AID TO PORTUGAL

REF: EC BRUSSELS 8142

1. DURING A LUNCHEON MEETING WITH EC COMMISSION OFFICIALS, DEPUTY ASSISTANT SECRETARY LOWENSTEIN INQUIRED ABOUT PLANS FOR EC AID TO PORTUGAL. THEY INDICATED THAT THE COMMISSION'S PROPOSALS ARE NOW ENTERING FINAL STAGES OF DISCUSSION AND WILL BE PRESENTED TO THE NEXT MEETING OF THE EC FOREIGN MINISTERS' COUNCIL IN LUXEMBOURG OCTOBER 6 AND 7. THE PROPOSALS WILL MOST LIKELY CONSIST OF AN OFFER OF FINANCIAL ASSISTANCE RELATED IN MOST CASES TO SPECIFIC PROJECTS, SOME FORM OF ACCESS TO THE EUROPEAN INVESTMENT BANK AND COMMUNITY COORDINATION OF BILATERAL AID FROM EMBER STATES.

2. THE COMMISSION OFFICIALS INDICATED THTHERE WAS NO REPEAT NO DOUBT ABOUT THE "POLITICLA WILL" OF THE EC-9 TO EXTEND ASSISTANCE TO PORTUGAL. THE PROBLEM, WHICH HAS VEXED THE EC IN ALL ITS DEALINGS WITH THE PORTUGUESE SINCE THE OVERTHROW OF THE OLD REGIME, CONINTUES TO BE THAT OF GEETING THE PORTUGUESE TO CME UP WITH PROPOSALS FOR ASSISTANCE AND INVESTMENT PROJECT. THERE WAS CONSIDERABLE DISCUSSION OF
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THE LIKELY NEED FOR QUICK AND SUBSTANTIAL SUPPORT TO TURN

THE PORTUGUESE ECONOMY AROUND, ASSUMING POLITICAL ACCEPTABILITY OF THE NEW PORTUGUESE GOVERNMENT. AN APPROACH BASED ONLY ON SPECIFIC PROJECTS, WHICH WOULD REQUIRE CONSIDERABLE LEAD TIME TO COME TO FRUITION, MIGHT NOT MEET THE REQUIREMENTS EITHER ECONOMICALLY OR POLITICALLY.

3. THE COMMISSION OFFICIALS SAID THAT THEY HAD NOT APPROACHED THE QUESTION OF AID TO PORTUGAL FROM THE STAND-POINT OF PROVIDING ASSISTANCE TO PORTUGAL'S BALANCE OF PAYMENTS PROBLEM, SUGGESTING THAT THIS SHOULD MORE APPROPRIATELY BE THE TASK OF THE IMF. THEY RECOGNIZED THAT PROJECT AID IS LIKELY TO BE A SLOW PROCESS AND AGREED ON THE IMPORTANCE OF EARLY ACTION TO STIMULATE CONFIDENCE IN PORTUGAL'S ECONOMY. THEY THOUGHT THAT IF THE EC WOULD BE IN A POSITION TO ANNOUNCE A GLOBAL AID FIGURE OF SUBSTANTIAL DIMENSIONS AT THE OCTOBER COUNCIL MEETING, AND INDICATED AT THE SAME TIME THAT THESE FUNDS WOULD BE AVAILABLE FOR INVESTMENT PROJECTS TO BE DEVELOPED BY THE PORTUGUESE AUTHORITIES, THIS COURSE OF ACTION WOULD SERVE THE PURPOSE OF STIMULATING INTERNATIONAL CONFIDENCE IN PORTUGAL AND REPRESENT A SUBSTANTIAL MEASURE OF SUPPORT FOR THE NEW GOVERNMENT. THEY AGREED THAT THE EUROPEAN COMMUNITY HAD A KEY ROLE IN ASSISTING PORTUGAL'S NEW GOVERNMENT.

4. COMMISSION OFFICIALS AGREED IT WOULD BE USEFUL TO HAVE AN EARLY EXCHANGE OF VIEWS BETWEEN THE US AND EC ON PORTUGAL'S ECONOMIC NEEDS AND WHAT WE COULD DO TO MEET THE PROBLEMS.
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